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Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 SAJ-01 CEA-01 STR-04 FEAE-00 INT-05 AID-05

COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 OES-05 /125 W
---------- 109602
R 061825Z DEC 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6683
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING DECEMBER 5)
REF.: BONN 18841

1. BUNDESBANK EASES CREDIT POLICY FOR 1975 (SEE BONN 18841): FOLLOWING THE CENTRAL BANK COUNCIL MEETING ON DECEMBER 5, BUNDESBANK PRESIDENT KLASEN ANNOUNCED THAT THE CENTRAL BANK MONEY VOLUME WOULD BE EXPANDED AT A RATE OF ABOUT 8 PERCENT FOR 1975. THIS RISE WOULD
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FOLLOW AN EXPECTED INCREASE OF 6 PERCENT FOR THE CURRENT

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YEAR. THIS MEASURE, PER KLASEN, WILL PROVIDE AN APPROPRIATE VOLUME OF MONEY FOR A REAL GROWTH OF APPROXIMATELY 2 PERCENT ON THE ECONOMY AND A GRADUAL REDUCTION ON THE INFLATION RATE.

2. GERMAN REACTION TO SALE OF GOLD TO US CITIZENS: GERMAN PRESS REPORTS REGARDING THE DECISION TO PERMIT US CITIZENS TO OWN GOLD AND THE RECENT ANNOUNCEMENT BY SECRETARY SIMON THAT THE US GOVERNMENT WOULD SELL 2 MILLION OUNCES OF ITS GOLD STOCK HAVE BEEN STRAIGHT FORWARD AND FACTUAL. BUNDESBANK VICE-PRESIDENT EMMINGER, INTERVIEWED BY DIE WELT, GREETED THE SIMON ANNOUNCEMENT AS A "SENSIBLE STEP" WHICH IN TURN WOULD REDUCE THE BURDEN OF OTHERWISE HIGHER GOLD IMPORTS ON THE US BALANCE OF PAYMENTS. THE FAZ IN A STORY DATELINED ZURICH OBSERVED THAT THE GOLD DEALERS WERE CAUGHT COMPLETELY BY SURPRISE ("LIKE A BOMB ON THE GOLD MARKET") BY THE SIMON ANNOUNCEMENT SINCE MOST DEALERS HAD ANTICIPATED THAT THE US GOVERNMENT, IF IT WERE EVENTUALLY TO SELL GOLD, WOULD HAVE WAITED TO SEE HOW GOLD PRICES DEVELOPED ON THE MARKET AFTER JANUARY 1. THE STORY CONCLUDES WITH THE OBSERVATION THAT RECENT PREDICTION OF AMERICAN BROKERS THAT THE PRICE WOULD REACH $250 WAS PURE FICTION BUT THAT THE GOLD DEALERS (AS OF DEC. 4) FORESEE, AT LEAST TEMPORARILY, FURTHER DOWNWARD PRESSURE ON GOLD PRICES. THE DIE WELT NOTES, HOWEVER, THAT THE OPINION IN GOLD CIRCLES IS THAT THE SALE BY THE GOVERNMENT WILL HAVE NO LASTING INFLUENCE ON GOLD PRICE DEVELOPMENTS BUT THAT THE PRESENT UPWARD TREND WILL BE SLOWED.

3. FRG REQUESTS PARLIAMENTARY CONCURRENCE IN $3 BILLION EC B/P CREDIT: THE FEDERAL GOVERNMENT ON DECEMBER 5 INTRODUCED LEGISLATION IN PARLIAMENT REQUESTING CONCURRENCE IN THE $3 BILLION EC LOAN DESIGNED TO OFFER CREDITS DURING 1975 FOR THOSE MEMBERS WITH OIL RELATED BALANCE OF PAYMENTS DEFICITS. IN INTRODUCING THE MEASURE FINANCE MINISTER APEL REPEATED THE ASSURANCE THAT GERMANY'S LIABILITY WOULD NOT BE ABOVE 44.04 PERCENT OR JUST OVER $1,320 BILLION (DM 3.3 BILLION).
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SPOKESMEN FOR ALL PARTIES HAVE GIVEN ASSURANCE OF SUPPORT FOR THE REQUEST.

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USIA-15 SAJ-01 CEA-01 STR-04 FEAE-00 INT-05 AID-05

COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 OES-05 /125 W
---------- 109695
R 061825Z DEC 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6684
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
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4. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK
SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)	
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
NOV 29	DM 2.4770	2.2	1.9
DEC 2	2.5005	1.9	2.1

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3	2.5090	2.6	2.6
4	2.4905	2.2	2.7
5	2.4785	2.2	2.4

WITHIN THE JOINT FLOAT ALL CURRENCIES WERE BELOW THEIR DM INTERVENTION RATES. WITH THE EXCEPTION OF THE NORWEGIAN AND SWEDISH CROWNS, ALL WERE ABOVE THEIR DEUTSCHEMARK CENTRAL RATE.

5. MONEY MARKET: DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
NOV 29	8.0-8.5	7.0-8.0	8.6-8.9
DEC 2	8.4-8.6	8.5-8.8	8.5-8.8
3	8.3-8.5	8.5-8.8	8.5-8.8
4	7.8-8.2	8.3-8.5	8.4-8.6
5	7.7-8.0	-	-

6. MONETARY RESERVES: IN THE LAST WEEK OF NOVEMBER (NOVEMBER 24-30) BUNDESBANK MONETARY RESERVES ROSE BY DM 0.5 BILLION TO DM 89.0 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 239 MILLION. GERMANY'S IMF GOLD TRANCHE POSITION AND SDR HOLDINGS DECLINED BY DM 22 MILLION EACH AND GROSS LIABILITIES BY DM 306 MILLION.

7. BANK LIQUIDITY: IN THE LAST WEEK OF NOVEMBER BANK LIQUIDITY DECLINED BY DM 2.1 BILLION. PRINCIPAL FACTORS REDUCING LIQUIDITY WERE THE USUAL INCREASE IN CURRENCY IN CIRCULATION AT THE END OF A MONTH (DM 6.0 BILLION) AND AN INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 3.8 BILLION). FACTORS INCREASING LIQUIDITY WERE A DECLINE (DM 6.5 BILLION) IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK AND THE ABOVE--MENTIONED INCREASE IN MONETARY RESERVES. OTHER FACTORS INCREASED LIQUIDITY (NET) BY DM 0.7 BILLION. DURING THE WEEK BANKS INCREASED LOMBARD BORROWINGS BY DM 1.6 (BILLION AND REDISCOUNT BORROWINGS BY DM 0.5 BILLION.

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8. BOND MARKET: THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

	8 PERCENT	7 PERCENT	6 PERCENT

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NOV 29 10.74 10.59 10.22
DEC 2 10.86 10.54 10.18
3 10.75 10.49 10.12
4 10.62 10.40 10.07
5 10.59 10.34 10.01

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L-02 NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

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COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 OES-05 /125 W
---------- 109724
R 061825Z DEC 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6685
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
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THREE LOANS WITH A TOTAL VOLUME OF DM 1.3 - 1.5 BILLION
ARE PLANNED FOR ISSUANCE DURING DECEMBER BY THE FEDERAL
GOVERNMENT, THE FEDERAL RAILWAYS, AND THE STATE OF NORTH-

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RHINE-WESTPHALIA. THE FIRST WILL BE A DM 600 MILLION LOAN OF THE FEDERAL GOVERNMENT AT AN ANTI-CIPATED INTEREST RATE OF 9.5 PERCENT (SEE BONN 18841) THE SECOND A DM 400-500 MILLION LOAN OF THE FEDERAL RAILWAYS AND THE THIRD A DM 300-400 MILLION LOAN OF NORTH-RHINE-WESTPHALIA. A DM 50 MILLION FOREIGN LOAN OF UNILEVER N.V., ROTTERDAM HAS BEEN ANNOUNCED (CON-
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DITIONS: ISSUE PRICE 100; COUPON 9.75 PERCENT; MATURITY 7 YEARS). ON DECEMBER 18 A DM 100 MILLION LOAN OF MITSUBISHI HEAVY INDUSTRIES, LTD., TOKYO WILL BE OFFERED (CONDITIONS: ISSUE PRICE 98.5 PERCENT; COUPON 9.75 PERCENT; MATURITY 5 YEARS). ANOTHER DM 50 MILLION FOREIGN LOAN IS PLANNED BY NIPPON YUSEN KAISHA (NYK) FOR ISSUANCE IN JANUARY (CONDITIONS: COUPON 9.75-10 PERCENT, MATURITY 5 YEARS). FOR THE SECOND TIME THIS YEAR A PRIVATE PLACEMENT OF THE ASSOCIATION OF DANISH OIL RESERVE STOCKS IN THE AMOUNT OF DM 20 MILLION WILL BE OFFERED (CONDITIONS: ISSUE PRICE 100 PERCENT; COUPON 10 PERCENT; MATURITY 5 YEARS, YIELD TO MATURITY 10.25 PERCENT).

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Message Attributes

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Copy: SINGLE
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Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
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Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING DECEM- BER 5)
TAGS: EFIN, GE, BUNDESBANK
To: STATE
Type: TE
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